

Product Strategy and Design

Creating the product concept that will delight your customers



SNAPSHOT

The E-Myth Mastery Program

Module 5:

Foundations of E-Myth Client Fulfillment

Business Development Process: CF-0010

“You can have any color you want, as long as it’s black.”

– attributed to Henry Ford, automobile manufacturer

Overview

Your product strategy should be aimed at finding the best possible product offering for your business *in the eyes of your customer*. Customers perceive your product’s value through six key attributes:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

These are things that are important in the mind of your customer. They’re also important to you because they are things you can shape.

Your opportunities to differentiate yourself from your competition exist in the gap between what your customers can currently get and what they really want. Use your knowledge of your customers to define the ideal product for them. Compare that ideal to your own product, the competition, and to other alternative products. Design a “feasible ideal” that gets as close to the ideal as possible and can be produced at an acceptable cost to you and an acceptable price for your customer.

Build a regular review of your product selection into your business processes by creating a systematic method for testing your current products against what you know would be ideal. If you do, you’ll stay on top of your business and increase your opportunities to deliver on your promise to your customers.

Definition

Your “product” – whatever it is – is the end result of the value you add to something else. It isn’t always just the things or services you sell. It’s what the customer buys. Your real product is the total shopping/buying experience, and if the goods you sell are the same as everyone else’s, then your business itself must be the product that attracts customers.

Product Strategy and Design Process

Profile your “ideal” product

Profile alternative, & substitute products

Profile your current product

Design your “feasible ideal” product

Develop specifications for your “new” product

I think it’s about time to take another look at our product...



A Business Development Publication of

E-Myth Worldwide

Putting the Pieces Together

Santa Rosa, California, USA

This document is confidential and proprietary to E-Myth Worldwide and cannot be used, disclosed or duplicated without the prior written consent of E-Myth Worldwide. This is an unpublished work protected by federal copyright laws and no unauthorized copying, adaptation, distribution or display is permitted.

Product Strategy and Design

Creating the product concept that will delight your customers

“You can have any color you want, as long as it’s black.”

– attributed to Henry Ford, automobile manufacturer

Promises, Promises

When you started your business you made a promise. Actually, you made a lot of them. You can probably list a few of them right off the bat, starting with the one you made to your bank. But not every business promise is contractual like a bank loan.

The expectations you create in people’s minds are a kind of a promise, too. When you hung your sign and opened your doors, you raised a lot of expectations. At the very least, you made sure to tell your potential customers what range of specific products and services you sold. But you probably advertised as well. And your advertising – and the sensory package you developed – were all designed to convince people that you could give them what they wanted from a business or service like yours – and do it better than any of your competitors to boot. That’s another promise.

If you know how to look for them, your business is full of promises, and your customers will expect you to make good on them.

But no promise is more important to keep than the one you make to your customers about your products or services. They are at the heart of the client fulfillment you promise through all your marketing efforts. If you don’t deliver on this one, no marketing strategy or sales technique will keep your customers coming. Your product is the thing. More than anything else, it’ll tell your customers if you’re paying attention to their needs and whether or not they can expect you to give them what they want.

So, delivering on your promises is your mission. Doing it better than any of your competitors is your goal. And it isn’t good enough to just keep your promise; you need to exceed it. You need to keep asking yourself this question, “What can we do to make our products and services of greater value to our customer?” Your competitors will be trying to meet their promises, just like you. You’ll have the edge if you’re willing to look at the gap between your promise and what you actually deliver at every possible moment and in every possible way.

Your Product May Not Be What You Think

Would it surprise you to think that you may not know what your product really is? A lot of business owners don't. They look at their production floors or their inventories or their services and see "things" or expertise. A manufacturer sees cars rolling off the assembly line, a retailer his stock or an accountant the tax forms she completes for a client. Those things are their products, but that isn't the whole story. To see your product in such a limited way won't serve you well because that's not how your customers see it. Your product is more than just a thing you make or sell. If you think about it, you'll see that your product – whatever it is - is really the end result of *the value you add to something else*.

If You Don't Add Value, You Won't Be in Business

Here's another way to look at it. When General Motors makes a car, it takes a couple of tons of steel, fiberglass, electrical wiring, glass, and vinyl and adds value by shaping them into a product that has value for its customer. The steel and fiberglass and electrical wiring have no value for the customer until GM uses its expertise and its production line to mold them into a car or truck. GM's products are the end result of the value they add to the raw materials.

It's true in service businesses, too. An accountant's product is her advice to her clients and the tax and bookkeeping services she provides. She uses her education and training to create tax returns and develop other financial documents and services that have value for her clients.

A retailer's product may look like the goods he sells, and they are, but his real product is the way he makes them available to his customers. His customers have no use for a pile of unsorted clothing on the floor. He adds value by making his goods available and presenting them in an organized, convenient, and attractive way.

Your products can convey value through their attributes, and through their delivery and your customer service, as well. But the way you add value will depend on the nature of your business. Manufacturers and service businesses create their own products and can add value by reconfiguring them. They can literally create the perfect product by adjusting the product attribut-

es they choose. Retailers, wholesalers and distribution businesses have a different problem. They can't change most of their products' attributes; they have to enhance them. While they don't "build" a product from scratch, they do add value in the form of convenient access to goods, a wide selection, attractive presentation, and appropriate pricing.

Packaging also provides special opportunities to add value to your products through visual and functional appeal. The basic product may be a donut, but packaging is part of the product, too. We're talking about the cardboard boxes or waxed paper that serve as containers, and we're also talking about things like bulk sales or coffee set-ups. The basic product, the donut, can be "packaged" in a number of ways to increase its value to different customers.

So think about *your* business for a moment. What *is* your product? Look at it from your customer's point of view. What is it about what you're selling that has value for them? And what can you do to increase that value?

Is Your Product Keeping Your Promise?

Good question. How do you know if your product is living up to your promise? It's not like there's some perfect product or service out there to measure yourself against.

Or is there? Although it may not exist yet, can you imagine it? If you had enough information about your customers and what they want, could you construct a "perfect" product in your mind? And if you had enough information about what products were available in the marketplace, could you come close to identifying a "feasible ideal" – knowing what your customers want and what you are realistically able to produce? Something close to perfect that *is* possible?

You have no choice, really. You have to find or create products that come as close to that ideal as possible if you want to differentiate yourself from your competition. Constructing a profile of the "perfect" product for your business will tell you where you are and where you have to go. It will give you a prototype, a standard to shoot for. You can look at your current products and the available alternatives, including the competition, compare them with the ideal, and develop a profile of what's feasible for your customers and your business. The perfect product may not exist yet, maybe it never will, but how close can you get?

Product Strategy Starts with the Customer

Your product strategy should be aimed at finding the best possible product offering for your business *in the eyes of your customer*. You don't want to find the perfect product and then go looking for a market. You want to understand your customers' wants and needs so completely that you can find or construct products with qualities that make them perfect for the market you have!

In E-Myth Marketing Fundamentals (Module 2), you looked at product redefinition as part of your marketing strategy. You'll now use that information in an expanded version to create a profile of product attributes that would be ideal for your customers. What you're looking for is a list of "preferred attributes" from the customer's point of view. Your products may – and should – change from time to time, but their main features, their "attributes," should always conform as closely as possible to the ideal profile you construct from your knowledge of what your customer wants.

Attributes – Your Product's Key Qualities

Key Product Attributes: The
Functionality
Sensory Impact
Unconscious Associations
Conscious-Mind Conclusions
Price/Value
Access/Convenience

Consider your products from your customer's point of view. What does your target market value about the products you're offering them? In Module 2, you looked at six kinds of product attributes that are important in the mind of the customer. They're also important to you because they're things you can shape. Once you know how your customers view these product attributes, you have an opportunity to create a product strategy that will set you apart from your competition. Here they are:

- 1 Functionality.** What does the product do for your customer? How does it operate, perform, run, serve, work, or act on your customer's behalf? If you're selling finished goods like furniture or clothing or heavy machinery, the answer is obvious. But if you're selling intangibles like leisure activities or self-improvement programs, you'll have to spend more time thinking about this.
- 2 Sensory Impact.** How should your product look, feel, sound, taste, and smell? Which of these qualities will have

the greatest impact from your customer's perspective? A car and a baby blanket are very different products, but they both need a certain appeal that can be physically experienced. The car should look substantial, feel comfortable to the driver, look freshly painted and unblemished, and have that "new car" smell. The baby blanket must be very clean, soft to the touch, have no perceptible smell and be made in colors that are normally associated with babies - soft pastels or white. What physical qualities of your product are important to your customers?

3 Unconscious Associations. Most products have features that create associations of one kind or another for your customers. It's hard to escape them. Color, shape, and smell are such a big part of our daily lives that we develop strong reactions to them from earliest childhood. Other associations come from our life experiences.

No one understands this better than the advertising profession. They use color, sound, image, shape, and similar factors to sell products to their targeted markets. For example, the use of popular music has become an especially effective way to take advantage of association, and the music of the 1960's is now used extensively as background music for advertising aimed at "baby boomers." This music conjures up their youth and, presumably, happier, less complicated, and more exciting times. Selling laundry detergent to a Beatles' song gets the potential customer's attention and creates an unconscious association of good feeling with the product.

But the reverse is also true, and that's why it's so important to have a handle on what your customer's associations might be. For example, retailers of men's clothing found it difficult to sell clothing in any shade of green for twenty years after the end of the Vietnam War. Manufacturers finally stopped producing it. Associations with the color green, in any shade, became unpleasant for customers buying clothes for boys and men because of its associations with the war and the military's combat uniforms. And they stopped buying it. You can find green clothing in men's stores now, but you couldn't for more than two decades because of the power of association.

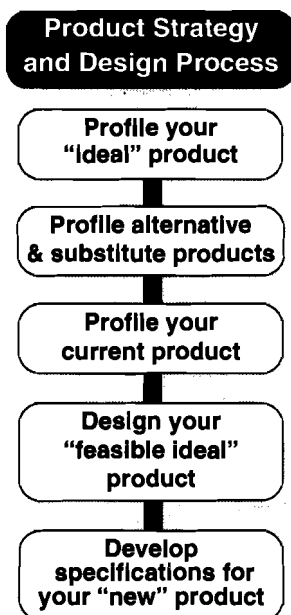
4 Conscious-Mind Conclusions. What rational conclusions does your customer need to draw from your products? How

would you know that, anyway? If you recall the purchase preference of your target market, you can draw several conclusions about the conscious buying habits of your customers. Experimental buyers want products and services that are new, revolutionary, and innovative. They'll respond to products that have cutting edge technology or style and value them explicitly because of those features. Performance buyers look for reliability, dependability, and proven quality. If your customers fall into this category, they'll be looking for functionality and trustworthiness above other features in your products. Value buyers will look for "the best price" or "the best sense of value for their money" as they consider your products. They'll need to think your products are "worth it" before they buy. Conscious mind conclusions are just that – conscious. You don't have to guess what your customers value about your products in their conscious mind; you can probably just ask!

- 5 Price/Value.** This is a universal concern, but it'll mean more to some customers than others. Your products will be perceived as high-, moderate-, or low-priced, usually compared to your competition or to your customer's own notion about what "something like that should cost." There is no inherent danger in having the price of your products perceived in any of these ways. It all depends on your market. It's not necessarily a benefit to be thought of as "the low-price Lexus dealer." By the same token, "moderate-priced medical care" might make some customers nervous. And "high-priced gasoline" will drive all your customers away. The point is to match the perception of your price with the perceptions of your customers. If your customers are motivated by value consciousness and your product is generally available, price and value will be important. If you sell luxury products that are exclusive to customers who value innovation, a perception of low pricing may actually work against you. Once again, it's all in knowing your customer – what they want, what motivates their purchases, and how they feel about the product features we call "key attributes."
- 6 Access/Convenience.** This looks pretty straightforward on its face, and it would be easy to assume that all your customers want easy access to your products. Who wouldn't? With life so complicated these days, most businesses advertise their efforts to provide hassle-free product delivery and

customer service. They think their customers want that and most of them do. But it comes down to knowing your customer – again. Some people take pride in being on a waiting list for the latest model Mercedes, tickets to “the” first run musical on Broadway, Christmas dinner at the Ahwahnee Lodge in Yosemite National Park, or a place for their child at the “best” pre-school in the city. Delayed gratification sometimes serves a purpose. These particular customers attach value to the difficulties of getting what they want. And some businesses know how to use those customer perceptions to add value to their services. There’s a restaurant in Beverly Hills, California that’s famous for having an unlisted phone number. If you don’t get the phone number from a friend or acquaintance, there’s no way you can become a customer. Rather than advertise, this restaurant uses exclusivity to add value to its service. People who believe that something must be “the best” if it’s hard to get will perceive the difficult access to this restaurant as a positive product attribute. It takes all kinds, so know your customer!

Five Steps to the Right Product for Your Target Market



There are five steps to take in configuring the best possible product for your business.

You start by picking your primary target market and the particular version of your product you sell to them. Remember, your “product” isn’t always merely the things or services you sell. It’s what the customer buys. For instance, if you’re a retailer selling Levi blue jeans, or a grocer selling Del Monte canned peaches, your customer can get those products anywhere. The goods you sell are just part of your “product.” Your *real* product – and this is why all six product attributes are important – is the total shopping/buying experience. If the goods you sell are the same as everyone else’s goods, then your business itself must be the product that attracts customers.

Sometimes your product is the goods you sell, sometimes your product is your business – most often, it’s both.

Here are the five steps:

1 Develop a profile of the ideal product for your target market. The profile should answer the following question: “What product attributes would be *perfect* in the eyes of our target market customers?” Go back to your work from Module 2

and review the Central Demographic Model (Your Most Probable Customer, MK-0010) and the Central Psychographic Model (Customer Perceptions and Behavior, MK-0030) for your primary target market.

Make several copies of the Product Profile worksheet found in the Worksheets section of this booklet. Using a blank copy of the Product Profile worksheet, specify the attributes for your ideal product.

2 Create profiles of the best competitive products. Select the three or four best products that compete with yours for your target market. Research them if you need to. Describe their product attributes on separate Product Profile worksheets.

3 Profile your own product. Be thorough. Be honest. Make every effort to put aside your own faith and pride in your products and your business and be as objective as you possibly can.

4 Design your “feasible ideal” product. Array the profiles you’ve created for the ideal product, for competing products, and for your own product so you can compare them attribute by attribute. Use your judgment and common sense to determine the attributes you think you can produce in your product. Check the feasibility of the new/improved product. Use the Product Feasibility worksheet to guide your feasibility analysis. You may have to go through the process several times before you reach a true “feasible ideal,” and you may want to develop more than one alternative. You’ll know you’ve reached a “feasible ideal” when you have a product that:

- is an improvement on your existing product
- is better than competitive products in the attributes that are most important to your target market
- comes as close as you can reasonably come to your customer’s ideal product
- can be produced at an acceptable cost for you and offered at an acceptable price for your customer.

5 Develop the specifications for your “new” product. Use the Product Profile worksheet as a guide to convert the attributes into detailed specifications you and your people can use to produce and sell the new product. This is where you’re on your own – you know your people and your production capability best.

Designing the “Ideal Product” Profile

You have to dream it first to make it happen. Have you ever heard that one? Well, it’s true, so don’t be afraid to dream.

The first step of the product definition process is your opportunity to create a model for the kinds of products that would make your customers line up around the block. Let your mind run free. What would the ideal product for your customer look like? Here’s your shot at describing the ultimate. Don’t let current availability cramp your style. Once you know the outer boundaries of your dream product, you’ll know how far from your ideal you are and how far you have to go.

Use the marketing work you did in Module 2 to refresh your knowledge about your customers. What would they wish for? And how would those wishes translate into your product? What should you do to please them? What *could* you do? Do you have enough information?

Take every opportunity to talk to your customers. Maybe you could do some exploratory “market research” like setting up focus groups or handing out questionnaires. Review your customers’ complaints, so you’ll know what they don’t want, and then you can make some educated guesses about what they do want.

Using the Product Profile worksheet, design the product attributes for your ideal product. Remember, these six attributes reflect your customer’s perception of the product, not yours. You may be adding layers of value to your products before your customer ever sees them, but if the customer has no interest in the value you’ve added, it won’t mean much to your sales.

Consider the Competition

Are there any products available to your customers that are alternatives or substitutes for your current product? It’s important to know how they’d stack up against your ideal product and those products you currently offer.

Consider the possible alternatives and substitutes for your products carefully. Could one (or more) of them replace any of your current products and actually increase your customer’s satisfaction or expand your market? For example, scones and croissants are competing products for donuts, and they fill some of the same needs for the customer – warm, ready-to-eat, single-serv-

ing-sized morning pastry. Remember, too, that donut shops are not just selling donuts; they're selling fast and appetizing breakfast or snack food with pleasant associations for their customers. They're also selling the access and convenience of a fresh, fast product. A scone or a croissant has these attributes, too, as well as the ability to satisfy an additional need for variety and sophistication that your market may have. If some of your customers are really looking for a quick breakfast or snack and not just a donut particularly, and if they value variety and choice, your research may end up changing or expanding your product line and differentiating you from other donut shops. It could also expand your market. There's a customer for donuts and a customer for croissants. Why not have both?

Prepare individual Product Profile worksheets for at least four possible alternatives or substitutes for your current products.

Take a Fresh Look at Your Own Product

It's time to look at your own products again. Using another blank copy of the Product Profile worksheet, be as objective as possible in describing the attributes of your current products. Now that you've had a chance to look at other products more carefully, you should be able to look at your own product's attributes in a more informed way. What looked like great sensory appeal before may now look a little bland. Or maybe you saw that new products on the market combined more functions than the ones you're currently offering. Describe your product's attributes with a fresh eye.

The Art of the Possible

Your product design work will help you close the gap between your ideal product and what's possible – the “feasible ideal.” Using blank copies of the Product Profile worksheet, create profiles for one or two “feasible ideals” – products that you can produce that come closer to the “ideal” than anything you've had so far. You're aiming at creating a product or two with attributes that close the gap between what's perfect and what's possible better than anything you have right now.

Do any of the possible alternatives come closer to the ideal in some of their key attributes than your own products? Do any of them satisfy the attributes most important to your customers and offer lower cost, better technology, or an opportunity to expand your market?

As you use your judgment and experience, you'll find that you weigh some attributes more heavily than others because of your customers' needs. Depending on the nature of your business, a product with outstanding sensory impact may be your choice over another product with better overall attributes but not as much strength in that particular attribute. Luxury products would fall into this category. A product for a hardware store, on the other hand, will need a high "score" in functionality even if it makes a poorer showing in almost every other category.

With these newest profiles in hand for products more ideally suited to your customers' needs and wants, it's time to "test" whether they're truly feasible for you to produce.

Using the Product Feasibility worksheet, consider what resources will be required, what processes will have to change, what quality issues will need addressing and what the associated costs will be of offering the "new" product. Don't forget to use tools you already have, such as the bottom-line pricing grid in E-Myth Money Fundamentals (Module 3, process FN-0060). What you want to know is if a switch to any one of these "new" products would be worth the costs or other possible changes to your business operations. While some of these proposed products may more closely match the attributes of your ideal product, they may also be more expensive, more difficult to store, harder to get, or not meet your quality standards.

Your "feasibility studies" in this step will begin to confirm or deny the earlier product choices or specifications you identified from your product comparisons. You'll either find you're on the right track or see the need for further refinements. It's not an exact science. This work helps you organize your thoughts and your information, but none of it is a substitute for your "gut feel." In the end, it has to be your view of the best product. Or, more accurately, your *customers'* view.

Build It And They Will Come

Value, like Beauty, is in the eye of the beholder, and the most important "beholder" in your business is your customer. Your product strategy must be to add value to your basic goods or services in *the eyes of your customer*. It'll be different for every business, but, for all businesses, it must maximize the value perceived by the customer.

So keep your eye on your products. Build a regular review of your product selection into your business operations. It could be quarterly or yearly, if that's what's appropriate to your product and your market, but make it a point to do it. Create a systematic method for testing your current products against what you know would be ideal. If you do, it will expand your opportunities to satisfy and even delight your customers, and increase your opportunities for differentiating yourself from your competition where most of those opportunities exist – in the gap between what your customers already have and what they really want!